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# Financial Need and Packaging

*Once the school has the necessary information from the Department, it determines the student's financial need and packages the student's aid. In this chapter, we discuss how financial need is determined, and some factors schools must keep in mind when packaging federal aid.*

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## FINANCIAL NEED

A student must have financial need to receive all SFA funds except for unsubsidized loans under the Direct Loan and FFEL Programs. These loans include unsubsidized Federal Stafford Loans, Federal PLUS Loans, Direct Unsubsidized Loans, and Direct PLUS Loans. Unlike scholarship programs that may award funds based on academic merit or based on the student's field of study, SFA aid is administered based on the family's need for assistance.

Financial need is simply defined as the difference between the student's cost of attendance and the family's ability to pay these costs, the EFC. For programs other than the Federal Pell Grant Program, other aid the student receives, known as **resources** under the Campus-Based Programs or as **estimated financial assistance** under the DL/FFEL Programs, is also subtracted from the cost of attendance to determine financial need.

If the EFC is less than the cost of attendance (in other words, if the student's family cannot be expected to contribute the full costs faced), the student is considered to have financial need. In the case of eligibility for Pell, however, a maximum eligible EFC is determined annually. Although a student whose EFC exceeds the maximum may have financial need, he or she is not eligible for a Pell. For 2000-2001, the maximum EFC that a student can have to qualify for a Pell is 3100. As long as the EFC is less than the cost of attendance, the student will remain eligible for aid from other SFA programs, provided that he or she meets the other eligibility requirements of those programs.

### *Members of a Religious Order*

The various program regulations specify that a member of a religious order is not considered to have financial need for purposes of those programs, if the religious order meets certain criteria. Members of any religious order, society, agency, community, or other organization that (1) has as a primary objective the promotion of ideals and beliefs regarding a Supreme Being, and (2) directs the students' courses of study or provides the students with subsistence

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### Religious Order Cite

34 CFR 674.9(c), 675.9(c), 676.9(c),  
682.301(a)(2), 685.200(a)(2)(ii),  
690.75(d)

Cost of Attendance Cite

Sec. 472

support, aren't considered to have financial need. Therefore, the members of these religious orders can't receive subsidized Direct Loans, subsidized FFELs, Pells, or campus-based aid. They are eligible, however, for unsubsidized FFELs and unsubsidized Direct Loans.

## COST OF ATTENDANCE

**T**he cost of attendance is an estimate of a student's education expenses for the period of enrollment. The total aid the student may receive from the SFA programs and other sources (when added to the student's EFC) can't exceed the student's cost. (However, note that the Federal PLUS, the Direct PLUS, the unsubsidized Federal Stafford, and the Direct Unsubsidized loan may be substituted for the EFC, as described later.)

The components of the cost of attendance are the same for all SFA programs, as specified in the law. However, in the case of programs of study or enrollment periods that are less than or greater than the school's academic year, the cost for purposes of loans and campus-based aid differs from the cost for the Federal Pell Grant Program. The Pell costs are always prorated to the costs for a full-time student for a full academic year, but the cost of attendance for the other programs is based on the student's actual costs for the period for which need is being analyzed. See the Pell Reference for more information on the Pell cost of attendance.

### *Components*

A student's cost of attendance generally is the sum of the following:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes costs of rental or purchase of equipment, materials, or supplies required of all students in the same course of study;
- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** Effective October 1, 1998, as a result of Reauthorization, a reasonable allowance (as determined by the school) for the documented rental or purchase of a personal computer can be included as part of this allowance;
- **An allowance for room and board.** Previously, the law specified minimum allowances for students living with parents and students living off-campus but not with their parents; effective October 1, 1998, those minimum amounts have been removed. For students living on-campus, the allowance is the standard amount normally assessed most residents; for those living off-campus but not with their parents, the allowance must be based on reasonable expenses for room and board;
- **For a student with dependents, an allowance for costs expected to be incurred for dependent care.** This covers care during

periods that include, but that are not limited to, class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the kind of care provided;

- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.**
- **For a disabled student, an allowance for expenses related to the student's disability.** These expenses include special services, personal assistance, transportation, equipment, and supplies. Expenses provided for by other agencies aren't included;
- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.** and
- **For students receiving SFA loans, the fees required to receive them (for example, the loan fee for a Direct Loan or the origination fee and insurance premium for a FFEL).** Schools may also include the fees required for nonfederal student loans (that is, nonfederal loans that must be considered resources for the student when packaging aid). In all cases, the school can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at that school.

### Disabled Student

*A student is considered disabled if he or she is deaf, mentally retarded, hard of hearing, speech or language impaired, visually disabled, seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.*

### *Exceptions to the Normal Cost of Attendance Allowances*

Following are the exceptions to the normal cost of attendance allowances discussed above:

- For students who are enrolled less than half time, only the costs for tuition and fees and allowances for books and supplies, transportation (but not miscellaneous expenses), and dependent care expenses may be included as part of the cost of attendance.
- Generally, the cost of attendance for a correspondence study student is restricted to the costs for tuition and fees. However, if the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred. (As mentioned in Chapter 1 of this publication, a student isn't eligible to receive SFA aid for correspondence courses unless they are a part of an associate-, bachelor's-, or graduate-degree program and unless the school meets the criteria for the percentage of courses taught using this medium.)
- The cost of attendance for incarcerated students is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for SFA loans; if a

student is incarcerated in a federal or state penal institution, he or she is ineligible for Pell (see Chapter 1 of this publication).

- Previously, the cost to rent or purchase equipment was excluded for students receiving instruction by telecommunications. However, effective October 1, 1998, there is no such restriction, and the cost of equipment can be included in the cost of attendance; the law specifies that there is no distinction made in the cost of attendance regarding the mode of instruction.
- The financial aid administrator has the authority to use professional judgment to adjust the cost of attendance for the SFA programs on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See "Professional Judgment" in Chapter 9 of this publication.)

### *Other Factors*

The law specifies the components that are included in the cost of attendance, but the school must determine appropriate amounts. Also, if the student doesn't have some of the normal expenses, the school might decide not to include all the components.

### *Actual or average costs*

The school could use the actual cost for each component for each student. However, the school isn't required to do so, and can instead use a cost the average student would pay. For example, for the tuition and fees component, the school can use the same amount for all full-time students, instead of figuring the actual tuition and fees for each individual student. The school can have different standard costs for different categories of students, such as a one cost of attendance for in-state students (who have lower tuition) and a higher cost of attendance for out-of-state students. If the student's enrolled in a program that has extra fees or costs, such as lab fees, the school can add those fees to the student's cost or can have a standard cost it uses for all students in that program. If the school establishes such standard categories, it has to apply the cost allowances uniformly to all students in that category.

### *COA for periods of other than 9 months*

For the campus-based, Direct Loan, and FFEL programs, the cost of attendance for a student covers the period of actual enrollment. Therefore, if the student will be attending for more than 9 months, the school can use a higher cost of attendance that includes living expenses (such as room and board) for the longer period of time. If the student will be attending for less than 9 months, the school can use a lower cost of attendance. The school can choose to prorate the allowances it uses for 9 months, or can calculate the cost in any other reasonable way. However, for the Federal Pell Grant Program, the school must always use a cost of attendance for 9 months. If the school

has a cost of attendance for a student that is for a period of other than 9 months, it must be prorated for Pell (see the Pell Reference).

### ***Tuition and fees not paid by the student***

In some cases, such as under Workforce Investment Act (WIA — formerly JTPA) programs, a student's tuition and fees are paid by another organization or are waived. The basic calculation of COA doesn't change. The only issue is whether the arrangement between the school and the student result in a tuition and fee charge to the student. If the student is charged for the tuition and fees, even if the charge is eventually paid by someone besides the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance. The tuition and fees payment would then be counted as a resource and estimated financial assistance. However, if the student is never charged for tuition and fees, then the cost of attendance wouldn't include the tuition and fees component. Some WIA agreements with schools provide that the school can't charge the tuition and fees to the student, even if WIA doesn't cover the costs. If the school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren't included in the student's COA.

### ***Tuition prepayment plans***

If the student has a tuition prepayment plan, the amount of the tuition prepayment is generally used to reduce the student's cost of attendance. The prepayment isn't counted as a resource or estimated financial assistance, and the total amount in the plan isn't reported as an asset on the application. If, for accounting purposes, the school can't use the prepayment to reduce the cost of attendance, then the amount of the prepayment is counted as a resource and estimated financial assistance.

### ***Free room and board***

If a student lives on campus, the student is considered to have entered into a contract with the school for room and board, even if there's no charge to the student. For the purposes of calculating the cost of attendance, the school must use the contracted charges for the room and board. If that room and board is supplied at no charge, the room and board component of the COA would equal \$0.

The value of room and board provided to an employee should be reported as untaxed income, under housing, food, and other living allowances. It isn't considered financial aid unless the room and board is part of an on-campus job that was awarded on the basis of need. If the room and board results from a job that was awarded on the basis of need, then the value of the room and board would be counted as a resource for campus-based purposes and as estimated financial assistance for Stafford purposes and isn't reported as untaxed income. If the student is charged for the room and board and the charge is then waived, the value of the room and board can be included in the cost of attendance.

### **Tuition Prepayment Plan Cite *Sec. 480(j)***

### **Free Room and Board Example**

*Guerrero University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges; if the student quits the job, the waiver is removed and the student has to pay the room and board charges. All the students have the room and board charge in their cost of attendance. For students who are Resident Assistants because of their financial need, Guerrero counts the room and board waiver as a resource and estimated financial assistance. The other students must report the waiver as untaxed income.*

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Resources Cite  
*34 CFR 673.5(c)*

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Resources

*Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year. Effective October 1, 1998, Americorps benefits are also considered a resource.*

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Campus-Based Resources Example

*Andrew's COA is \$6,000, and his EFC is 1500. His resources are a \$1,850 Pell and a \$1,250 outside scholarship. Frisson College can award Andrew a \$400 FSEOG and a \$1,000 Perkins Loan to fully meet his financial need.*

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Loan and EFC Example

*In addition to the aid already discussed, Andrew is receiving a \$1,500 unsubsidized Stafford Loan. Because this amount doesn't exceed the EFC, the loan isn't considered a resource, so it doesn't reduce the amount of Andrew's need for campus-based funds. However, if Andrew also received a \$500 private loan, the \$500 would be a resource, because the amount of unsubsidized loans exceeds his EFC by \$500.*

**Documentation of Expenses**

The law doesn't specify what documentation the school needs for including expenses such as dependent care or disability-related expenses. The school can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student, or from other appropriate sources.

**RESOURCES AND ESTIMATED FINANCIAL ASSISTANCE**

A basic premise of need-based aid is that the total package of aid must not exceed the student's financial need. Therefore, when awarding aid from the SFA programs, the school has to take into account other sources of aid (which can include aid from other SFA programs). The different SFA programs account for other sources of aid in different ways.

**Federal Pell Grant Program**

Pells are considered to be one of the first sources of aid to the student. The Department issues Pell payment and disbursement schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. When awarding other sources of need-based aid, the financial aid administrator must take eligibility for Pell into account. It's always possible, however, that the student will receive a scholarship or other aid that, in combination with the Pell, causes the student's financial aid package to exceed his or her need. The school can't award additional need-based **federal** aid that would cause the package to exceed the student's need. If the student's need is exceeded due to the combination of the Pell and other sources of aid, the student is still eligible for the Pell as determined by the payment or disbursement schedule.

**Campus-Based Programs**

In contrast to the Federal Pell Grant Program, the regulations for the campus-based programs specifically require the school to take into account all resources available to the student when funds are awarded from these programs. If the total of the student's EFC, resources, and campus-based aid exceeds the student's cost of attendance, the campus-based aid must be reduced to prevent an overaward. However, note that there are overaward thresholds (discussed later in this chapter and in the Campus-Based Programs Reference) for the campus-based programs.

The unsubsidized Stafford, PLUS, Direct Unsubsidized, Direct PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs up to the amount of the EFC without affecting eligibility for campus-based aid, a subsidized Stafford Loan, or Direct Subsidized Loan.

For SFA purposes, veterans education benefits are treated as resources, not as income, and therefore are not reported as income on the FAFSA. As a result of Reauthorization, effective October 1, 1998, Americorps benefits are also considered resources. But the school

may exclude as a resource a portion of any subsidized direct or FFEL loan that is equal to or less than the amount of the student's Chapter 30 Montgomery GI Bill benefits and/or Americorps benefits paid for the cost of attendance.

Note that the income earned from the Veterans Administration Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, so it is **not** considered a resource. It should be reported as untaxed income (not income earned from work) on the FAFSA.

### Direct and FFEL Loans

For the Direct Loan and FFEL programs, estimated financial assistance, as defined in the law, must be taken into account. Estimated financial assistance includes most of the same sources of assistance as resources, with two exceptions. Americorps benefits and, as a result of Reauthorization, Chapter 30 Montgomery GI Bill benefits are *not* included in estimated financial assistance when determining eligibility for *subsidized* FFEL and Direct Stafford loans, but they *are* included for *unsubsidized* FFEL and Direct Stafford loans.

The school may certify an application for a subsidized Stafford Loan or originate a Direct Subsidized Loan only for the amount of need that remains after subtracting both the student's EFC and estimated financial assistance from his or her COA. As noted previously, the student can also borrow unsubsidized loans beyond his or her need as long as the loan does not exceed the EFC. Note that a student may qualify for a combination of subsidized and unsubsidized loans.

Before a school can certify a Stafford Loan or originate a Direct Loan, the school must have determined the student's eligibility for a Pell. A school doesn't need to have an official EFC from the CPS to determine the Pell eligibility. Instead, the school can use software at the school to determine if the student's eligible for Pell. On the other hand, the school must have evidence proving that the student's data went through the CPS before the loan can be disbursed.

## PACKAGING

**P**ackaging is the process of finding the best combination of aid to meet a student's financial need, given limited resources and given institutional constraints that vary from school to school. A student may be able to receive some federal student aid—in the form of a Pell—even if his or her school doesn't, for example, participate in the campus-based programs and doesn't have its own sources of aid. Any subsidized loan under the FFEL Program or the Direct Loan Program is limited to whichever amount is less: 1) the amount of the student's remaining financial need after his or her estimated financial assistance is taken into account or 2) the loan limit for the student's level and enrollment status. Of course, as explained earlier, the student can also borrow an unsubsidized Stafford, Direct Unsubsidized Loan, PLUS, Direct PLUS, state-sponsored, or private education loan equal to the

### Estimated Financial Assistance Cite

*Sec. 428(a)(2)(C), 34 CFR 682.200(b)*

### Estimated Financial Assistance Example

*Stanislaw's cost of attendance is \$6,000; his EFC is 1,500. His estimated financial assistance is a Pell of \$1,850, a tuition waiver of \$1,000, and a Perkins Loan of \$1,500. His total estimated financial assistance is \$4,350. Stanislaw is eligible for a maximum subsidized Stafford Loan of \$150. This amount is calculated by subtracting the EFC and the other aid received from the COA (\$6,000 - \$1,500 - \$4,350). Because unsubsidized Stafford Loans aren't considered a resource as long as the loan amount does not exceed the EFC, Stanislaw would also be eligible for an additional \$1,500 in unsubsidized Stafford Loan funds—the amount equal to the EFC.*

### Subsidized and Unsubsidized Loan Combination Example

*Lydia is a first year dependent student, so her loan limit is \$2,625. She qualifies for a \$1,600 Direct Subsidized Loan, and has no remaining need. Her EFC is 4,287 so she can also borrow an additional \$1,025 (\$2,625 minus \$1,600) Direct Unsubsidized Loan. In addition, her parents could borrow \$3,262 in PLUS (\$1,025 + \$3,262 = \$4,287).*

**Packaging Example: GI Bill Exclusion**

*Penny is a first-year, independent undergraduate student with an EFC of 950, a Pell Grant of \$2,175, and Montgomery GI Bill active duty benefits of \$4,752.*

*Penny enrolls in a four-year program at Frisson College, where her need is \$8,550 (\$9,500 COA - 950 EFC). Her assistance from the Pell Grant and GI Bill benefits equals \$6,927 (\$2,175 + 4,752). The difference between her need and assistance is \$1,623 (\$8,550 - 6,927).*

*Because the Montgomery GI Bill benefits do not count as estimated financial assistance for subsidized loans, Penny is eligible for a subsidized Stafford in an amount that exceeds \$1,623. Her COA minus her EFC and Pell Grant would leave an unmet need of \$6,375 (\$9,500 - 950 - 2,175). The maximum subsidized loan amount for a first-year student is \$2,625 and is less than Penny's unmet need for subsidized loan purposes, so she may receive a subsidized loan of \$2,625. The decision to take out a subsidized loan is Penny's, and the school must follow the statute. In this case, her assistance totals \$9,552 (\$2,175 + 4,752 + 2,625), which exceeds her need as well as her COA. However, under the statute and regulations this is not considered an overaward or an overpayment.*

*Penny is eligible for campus-based aid if the school chooses to exclude her subsidized loan as a resource. (It can exclude up to the value of the GI Bill benefits from the loan.) Penny's need is \$8,550, and her total resources, minus the loan, would be \$6,927, which is \$1,623 (\$8550 - 6,927) under her need. Therefore the school may provide campus-based aid up to \$1,623, for example, \$1,123 in FWS funds and \$500 in FSEOG funds. In this case, Penny's assistance totals \$11,175, which exceeds her need as well as her COA.*

2,175	Pell Grant
4,752	GI Bill
2,625	Stafford
1,123	FWS
500	FSEOG
<b>11,175</b>	<b>Total aid</b>

*However, under the statute and regulations this is not considered an overaward or an overpayment.*

amount of the EFC. If a school does have other sources of aid, the school must decide how to allocate scarce funds from different sources to meet students' needs.

The school must evaluate numerous variables when packaging aid and may consider questions such as these: Should priority be given to students who apply for aid first (on a "first-come-first-served" basis)? Should grant assistance be awarded to beginning students and should loans and work-study go to students who have had a chance to adapt to the academic program? If there are not enough funds to meet every student's need, should school policy be to give more assistance to the neediest students? Or should the school meet an equal proportion of each student's need across the board?

The Department provides a Packaging module as part of EDExpress. The school can enter information about its programs and factors to be considered in packaging, and then use the software to automate the packaging process. Many schools also use third-party software for this purpose. For more information on the EDExpress Packaging module, see the Packaging Desk Reference.

**Vocational Rehabilitation Funds**

Special considerations in packaging arise when a student qualifies for both SFA funds and for vocational rehabilitation assistance funds. In that case, the school should determine the student's package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled.

If, in packaging aid, the school were to consider both the disability-related costs and an anticipated vocational rehabilitation aid amount that was less than those costs, the amount of SFA funds in the student's package might be increased to cover the remaining costs. When the vocational rehabilitation agency actually disburses funds, it will take that SFA increase into consideration and disburse only the smaller anticipated amount rather than disbursing enough to cover all of the disability-related costs. The school has covered all of the student's need in both cases: But if the increase in SFA funds in the second case is the result of an increased loan amount, the school has unnecessarily added to the student's debt burden. Although the vocational rehabilitation funds shouldn't be considered a resource when the school packages, the school must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Each state association of student financial aid administrators has a voluntary agreement with its state vocational rehabilitation agency; this agreement specifies the procedures for coordinating vocational rehabilitation assistance with other forms of financial aid. For information about your state association's agreement, contact that association or a regional office of the U.S. Department of Education.

## OVERAWARDS

An overaward is aid that exceeds the student's need. While the school must always take care not to overaward the student when packaging aid, circumstances may change after the aid has been awarded and may result in an overaward. For instance, the student may receive an academic scholarship, or the student may want to extend his or her work-study employment. When these circumstances would lead to an overaward, the school may be required to adjust the federal student aid in the package.

### *Federal Pell Grant Program*

Pell Grants are never adjusted to take into account other forms of aid. If there's an overaward, the school has to look at other aid it controls, and reduce that aid.

### *Direct Loan and FFEL Programs*

If a school determines before Direct Loan or FFEL funds (other than PLUS) are delivered to the student that the student will receive an overaward, the school must take certain steps to eliminate the overaward. In general, there is no overaward tolerance for these loans. However, if a student's financial aid package also contains FWS, there's a \$300 overaward tolerance for the loan overaward. The school in this case wouldn't have to adjust a Stafford or Direct Loan unless the overaward exceeds \$300. Note that if the overaward situation occurs after Stafford or Direct Loan funds have been delivered, there is no Stafford or Direct Loan overaward (the school might still have a campus-based overaward to deal with).

*If the school has certified or originated the loan, but hasn't received the funds, the school can have the lender cancel or reduce the loan. The school can also reduce or cancel aid over which it has control.*

*If the school has already received the funds, it has a number of options:*

- If the package includes an unsubsidized Stafford Loan, Direct Unsubsidized Loan, Direct PLUS Loan, PLUS Loan, or nonfederal loan and the aid package doesn't already apply these loans to finance the EFC, the aid package can be adjusted so that all or some part of these loans replaces the EFC, thus reducing or eliminating the overaward.
- The second or subsequent disbursement of a Stafford or Direct Loan can be canceled or reduced. The school must inform the lender of the reduced award and request cancellation or reduction of subsequent disbursements.

### Overaward and Unsubsidized Loan Example

*Hector's EFC is 3,000. His cost of attendance is \$15,000. He is supposed to receive a subsidized Stafford Loan of \$8,500 and an unsubsidized Stafford Loan of \$3,500, which completely meets his need. Before he receives his first loan disbursement, Guerrero University also gives him a \$2,000 scholarship. If Hector's entire loan amount of \$12,000 had been subsidized, Guerrero would have to send some of the loan back. However, because part of Hector's loan amount is unsubsidized, Guerrero simply considers that \$2,000 of the unsubsidized loan that previously applied to Hector's financial need is now being used to finance his EFC of 3,000.*

### Ineligible for Part of Disbursement Example

*Owen's loan disbursement was \$1,000. However, Guerrero discovered after it received the loan funds that Owen also received a private loan, which created an overaward. Guerrero determines that the overaward is \$800. Guerrero could return just the \$800 or could instead return the entire check and have the lender issue a new check for \$200. If Owen were at a Direct Loan school, the school could return just the \$800 or return the full disbursement, cancel the loan, and originate a new loan for \$200.*

- If these adjustments have been made and an overaward still exists for a Stafford Loan or Direct Loan borrower, the school must withhold and promptly return to the lender or the federal government any funds that have not yet been delivered to the borrower. If the student is determined to be ineligible for the entire loan disbursement and the overaward cannot be reduced or eliminated, the school must return the entire loan proceeds. Note that Stafford and Direct Loan overawards must be repaid before adjusting or canceling campus-based funds.
- If the student is ineligible for only a part of the disbursement, the school can return the entire undelivered amount or can choose to return only the amount of aid for which the student becomes ineligible. For a Direct Loan, the school cancels the loan, returns the full disbursement, and originates a new loan for the lower amount. In this case, a new origination record must be created, and a new promissory note must be generated for the student to sign. For a Stafford Loan, a school that returns the entire disbursement then requests a new check for the correct amount. The school must provide the lender with a written statement describing why the funds were returned, and the lender must credit to the borrower's account the portion of the insurance premium and origination fee attributable to the amount returned. If the school returns the entire amount and asks for a new disbursement, the student will pay only for the reduced insurance premium and origination fee (if applicable) attributable to the reduced loan amount. To return only the amount for which the student is ineligible, the school must have the student endorse the loan check or, in the case of a loan disbursed by electronic funds transfer (EFT), obtain the student's authorization to release loan funds. The school can then credit the student's account for the amount for which the student is eligible and promptly refund to the lender the portion of the disbursement for the which the student is ineligible.

The requirement to return overawards does not apply to Stafford Loans made to cover the cost of attendance at foreign schools or to PLUS or Direct PLUS Loans.

Although a school isn't required to return Stafford Loan or Direct Loan funds that were delivered to the borrower (either directly or by applying them to the student account) before the overaward situation occurred, the law doesn't prevent the school from returning funds that were applied to the student account if the school chooses to do so. The borrower who received funds disbursed directly to him or her is not required to repay funds that were delivered in excess of need unless the overaward was caused by his or her misreporting or withholding of information.

### ***Campus-Based Programs***

The school is required to first try to reduce the overaward by following the steps above for undisbursed Direct or Stafford loans. If reducing undisbursed Stafford Loans or Direct Loans doesn't eliminate the overaward, the school may be required to reduce the amount of campus-based aid that has been awarded the student. Campus-based aid need not be reduced if the overaward doesn't exceed \$300, which is the overaward threshold for all campus-based programs. Note that the \$300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged. The threshold does not allow a school to deliberately award campus-based aid that, in combination with other resources, exceeds the student's financial need. (See the Campus-Based Programs Reference.)

The school should try to eliminate the overaward by reducing future payments of campus-based aid. If the overaward can't be eliminated by reducing future payments of campus-based aid, the student must repay the full amount of the campus-based funds that he or she received in excess of need. However, the student cannot be required to repay FWS wages he or she has earned.

### ***FWS Program***

Because the student can't be required to repay wages earned, the school can only adjust FWS by reducing future payments. The school can continue to employ the student, as long as it no longer pays him or her from FWS funds. If the school has already adjusted all other federal aid and institutional aid, and there's still an overaward, the school must reimburse the FWS program from the school's funds. The school cannot require the student to repay wages earned, except in the case of proven student fraud.

